

Message Text

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ACTION AF-10

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SUBJECT: ETHIOPIA COFFEE SITUATION

1. SUMMARY: ETHIOPIAN COFFEE EXPORTS BETWEEN OCTOBER 1 AND MARCH 31 TOTAL SOME 29,000 METRIC TONS. ALTHOUGH FALLING SHORT OF HIGH (AND UNREALISTIC) GOALS SET BY PMGSE, IT COMPARES VERY FAVORABLY TO EXPORTS OF 23,000 MT DURING THE SAME PERIOD LAST COFFEE YEAR. IN VIEW OF PREVAILING CONDITIONS, IT IS A NOTEWORTHY ACCOMPLISHMENT. AGREEMENT TO PROVIDE EAST GERMANY WITH 10,000 TONS OF COFFEE IN CURRENT COFFEE YEAR ALREADY HAS BEEN NEARLY FULFILLED. AUTHORITIES ANNOUNCE DEVELOPMENT OF NEW COFFEE SEED RESISTANT TO COFFEE BERRY DISEASE, AND THE ESTABLISHMENT OF A NEW COFFEE MARKETING CORPORATION. END SUMMARY.

2. THE PMGSE HAVE SET A COFFEE EXPORT QUOTA OF 100,000 MT DURING THE CURRENT COFFEE YEAR (OCT 1 - SEPT. 30), AND HAVE ALLOCATED QUOTA PERCENTAGES TO ALL EXPORTERS. THE FIGURE IS CONSIDERED BOTH BY THE INDUSTRY AND BY
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RESPONSIBLE GOVERNMENT OFFICIALS BEING COMPLETELY UNREALISTIC. TOTAL EXPORTS ARE MORE LIKELY TO BE IN THE NEIGHBORHOOD OF 60,000 MT. LOCAL COFFEE AUTHORITIES ANTICIPATE COFFEE EXPORT PRICES WILL REMAIN AROUND THE US \$1.50/LB. LEVEL. USING THIS AS AN AVERAGE, TOTAL FOREIGN EXCHANGE EARNINGS ACCRUING TO ETHIOPIA FROM COFFEE EXPORTS IN THIS

COFFEE YEAR ARE LIKELY TO APPROXIMATE US
\$200 MILLION.

3. DURING THE FIRST SIX MONTHS OF THIS COFFEE
YEAR, ETHIOPIA HAS EXPORTED NEARLY 29,000 MT OF COFFEE,
COMPARED TO 23,000 MT DURING THE SAME PERIOD LAST YEAR.
THIS IS A CONSIDERABLE ACCOMPLISHMENT IN VIEW
OF THE SHORTAGE OF TRANSPORTATION, PORT CONGESTION
AND OTHER DIFFICULTIES ARISING FROM THE WAR
CONDITIONS WHICH PREVAILED DURING THE PERIOD.
MUCH CREDIT IS DUE TO THE ETHIOPIAN COFFEE AND TEA
DEVELOPMENT AND MARKETING AGENCY (ECTDMA), WHICH
PUSHED TO OBTAIN PRIORITY TRANSPORT FOR COFFEE, AND IN
ADDITION, MANAGED TO OBTAIN PREFERENTIAL DOCKING
FOR SHIPS ARRIVING IN ASSAB TO LOAD COFFEE.

4. AN AGREEMENT BETWEEN THE PMGSE AND EAST GERMANY
PROVIDES FOR THE EXPORT TO EAST GERMANY OF A
MINIMUM OF 10,000 MT OF COFFEE DURING THE CURRENT
COFFEE YEAR. NEARLY TWO-THIRDS OF THIS AMOUNT HAS ALREADY
BEEN EXPORTED. THE VALUE OF EACH SHIPMENT HAS BEEN THE
SUBJECT OF NEGOTIATIONS, BUT PRICES IN GENERAL HAVE
BEEN SOMEWHAT ABOVE THE WORLD MARKET LEVEL. OFFICIAL
INDUSTRY SOURCES INDICATE A BELIEF THAT AT LEAST
PART OF THIS EXPORT IS ON A BARTER BASIS. ALTHOUGH
SOME INDUSTRY SOURCE ARE CONVINCED THAT A SUBSTANTIAL
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AMOUNT OF THE COFFEE BOUGHT BY THE EAST GERMANS IS
DESTINED FOR COUNTRIES IN THE WEST, PMGSE OFFICIALS
RECENTLY RETURNED FROM EAST GERMANY NOTED THEIR
AN EXTENSIVE MARKETING CAMPAIGN TO SELL "COFFEE
FROM SOCIALIST ETHIOPIA".

5. IN MARCH 1978 THE COFFEE RESEARCH CENTER OF THE
INSTITUTE OF AGRICULTURAL RESEARCH ANNOUNCED THE
SUCCESSFUL DEVELOPMENT OF A COFFEE SEED RESISTANT
TO COFFEE BERRY DISEASE (CBD), RESPONSIBLE IN
RECENT YEARS FOR REDUCING COFFEE PRODUCTION IN
ETHIOPIA BY SOME 20 PERCENT. PMGSE OFFICIALS HAVE TOLD
EMBOFF THAT THE SEED IS BELIEVED TO BE NEARLY 95
PERCENT RESISTANT TO CBD. ONLY SOME 40 KILOS OF THE
NEW SEED ARE PRESENTLY AVAILABLE TO AUTHORITIES.
PLANS ARE TO DISTRIBUTE THESE SEEDS TO EXPERIMENTAL
PLOTS IN VARIOUS DISTRICTS. IT IS NOT EXPECTED THAT
THE NEW SEED WILL BE AVAILABLE IN SUFFICIENT
QUANTITIES TO BE DISTRIBUTED TO COFFEE GROWERS FOR
ANOTHER THREE OR FOUR YEARS. MEANWHILE, EFFORTS ARE
BEING MADE TO UPGRADE PRODUCTION FROM ETHIOPIA'S ANCIENT
(AVERAGE AGE 60 YEARS) COFFEE TREES BY MORE EXTENSIVE

PRUNING, SPRAYING, ETC.; ONLY LIMITED NEW PLANTINGS
IN VIRGIN AREAS ARE BEING UNDERTAKEN.

6. IN JANUARY 1978 A SEPARATE COFFEE MARKETING
CORPORATION WAS ESTABLISHED WITHIN THE ECTDMA. SEMI-
AUTONOMOUS, IT WILL HAVE A GENERAL MANAGER APPOINTED
BY THE MINISTRY OF AGRICULTURE. IT WILL TAKE OVER
ALL THE PURCHASING, STORING, PROCESSING, TRANS-
PORTING, SELLING AND EXPORTING OF COFFEE DONE ON
BEHALF OF THE GOVERNMENT. AS SUCH IT WILL BE IN
DIRECT COMPETITION WITH PRIVATE COFFEE EXPORTING

FIRMS. ONE OF ITS FIRST ACTIONS REPORTEDLY WILL BE TO OPEN
NEW MARKETING OFFICES IN BOTH EAST AND WEST EUROPE,
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A MOVE WHICH SHOULD BENEFIT ALL ETHIOPIAN COFFEE EXPORTERS.
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